

House File 823 - Introduced

HOUSE FILE _____
BY WISE

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to local budgets and taxes by limiting the amount
2 of reduction in the assessment of residential property,
3 distributing state franchise tax revenues to cities and
4 counties, providing for the creation of sales tax increment
5 financing districts by cities, increasing the maximum rate for
6 local hotel and motel taxes, setting a specific appropriation
7 for and making an appropriation to the statewide fire and
8 police retirement system, providing a basis for calculation
9 and use of city franchise fees, and making certain city
10 franchise fees legal, and including effective and retroactive
11 applicability date provisions.
12 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
13 TLSB 2434YH 82
14 mg/gg/14

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1 1 DIVISION I
1 2 PROPERTY ASSESSMENT LIMITATION
1 3 Section 1. Section 441.21, subsection 4, Code 2007, is
1 4 amended by adding the following new unnumbered paragraph:
1 5 NEW UNNUMBERED PARAGRAPH. For valuations established as of
1 6 January 1, 2007, and each year thereafter, the percentage of
1 7 actual value, as equalized by the director of revenue as
1 8 provided in section 441.49, at which residential property
1 9 shall be assessed shall not be less than forty=five and five
1 10 thousand five hundred ninety=six ten thousandths percent. If
1 11 the percentage of actual value of residential property as
1 12 calculated in accordance with this subsection is less than
1 13 forty=five and five thousand five hundred ninety=six ten
1 14 thousandths percent, the director of revenue shall increase
1 15 the percentage to forty=five and five thousand five hundred
1 16 ninety=six ten thousandths percent. For purposes of
1 17 determining valuations in the assessment year beginning
1 18 January 1, 2008, and for each subsequent assessment year, the
1 19 percentage for the prior year as determined under this
1 20 subsection before adjustment under this paragraph, if
1 21 necessary, shall be the percentage used in making the
1 22 calculation of the dividend for that assessment year.
1 23 Sec. 2. RETROACTIVE APPLICABILITY. This division of this
1 24 Act applies retroactively to January 1, 2007, for assessment
1 25 years beginning on or after that date.

1 26 DIVISION II
1 27 FRANCHISE TAX REVENUE ALLOCATIONS
1 28 Sec. 3. Section 331.427, subsection 1, unnumbered
1 29 paragraph 1, Code 2007, is amended to read as follows:
1 30 Except as otherwise provided by state law, county revenues
1 31 from taxes and other sources for general county services shall
1 32 be credited to the general fund of the county, including
1 33 revenues received under sections 9I.11, 101A.3, 101A.7,
1 34 123.36, 123.143, 142B.6, 176A.8, 321.105, 321.152, 321G.7,
1 35 321I.8, section 331.554, subsection 6, sections 341A.20,
2 1 364.3, 368.21, 422.65, 423A.7, 428A.8, 430A.3, 433.15, 434.19,
2 2 445.57, 453A.35, 458A.21, 483A.12, 533.24, 556B.1, 583.6,
2 3 602.8108, 904.908, and 906.17, and the following:
2 4 Sec. 4. NEW SECTION. 422.65 ALLOCATION OF REVENUE.
2 5 All moneys received from the franchise tax shall be
2 6 deposited in the general fund of the state. Commencing with
2 7 the fiscal year beginning July 1, 2007, there is appropriated
2 8 for each fiscal year from the franchise tax moneys received
2 9 and deposited in the general fund of the state the sum of
2 10 eight million eight hundred thousand dollars which shall be
2 11 paid quarterly on warrants by the director, after

2 12 certification by the director, as follows:
2 13 1. Sixty percent to the general fund of the city from
2 14 which the tax is collected.
2 15 2. Forty percent to the county from which the tax is
2 16 collected.
2 17 If the financial institution maintains one or more offices
2 18 for the transaction of business, other than its principal
2 19 office, a portion of its franchise tax shall be allocated to
2 20 each office, based upon a reasonable measure of the business
2 21 activity of each office. The director shall prescribe, for
2 22 each type of financial institution, a method of measuring the
2 23 business activity of each office. Financial institutions
2 24 shall furnish all necessary information for this purpose at
2 25 the request of the director.
2 26 Quarterly, the director shall certify to the treasurer of
2 27 state the amounts to be paid to each city and county from the
2 28 general fund of the state. All moneys received from the
2 29 franchise tax are appropriated according to the provisions of
2 30 this section.

2 31 DIVISION III

2 32 SALES TAX INCREMENT FINANCING DISTRICTS

2 33 Sec. 5. Section 423B.1, subsection 6, Code 2007, is
2 34 amended by adding the following new paragraph:

2 35 NEW PARAGRAPH. c. Notwithstanding any other provision in
3 1 this section, a change in use of the increased local sales and
3 2 services tax revenues for purposes of a sales tax increment
3 3 financing district pursuant to section 423B.10 does not
3 4 require an election.

3 5 Sec. 6. Section 423B.9, subsection 2, Code 2007, is
3 6 amended to read as follows:

3 7 2. An issuer of public bonds which is a recipient of
3 8 revenues from a local option sales and services tax imposed
3 9 pursuant to this chapter may issue bonds in anticipation of
3 10 the collection of one or more designated portions of the local
3 11 option sales and services tax and may pledge irrevocably an
3 12 amount of the revenue derived from the designated portions for
3 13 each of the years the bonds remain outstanding to the payment
3 14 of the bonds. Bonds may be issued ~~only~~ for one or more of the
3 15 purposes set forth on the ballot proposition concerning the
3 16 imposition of the local option sales and services tax or for
3 17 purposes of a sales tax increment financing district pursuant
3 18 to section 423B.10, except bonds shall not be issued which are
3 19 payable from that portion of tax revenues designated for
3 20 property tax relief. The bonds may be issued in accordance
3 21 with the procedures set forth in either subsection 3 or 4.

3 22 Sec. 7. NEW SECTION. 423B.10 SALES TAX INCREMENT
3 23 FINANCING DISTRICTS.

3 24 1. For purposes of this section, unless the context
3 25 otherwise requires:

3 26 a. "Base year" means the fiscal year during which the
3 27 designation by ordinance of a sales tax increment financing
3 28 district is made.

3 29 b. "District" means a sales tax increment financing
3 30 district established pursuant to subsection 2.

3 31 c. "Eligible city" means a city in which a local sales and
3 32 services tax imposed by the county applies or a city described
3 33 in section 423B.1, subsection 2, paragraph "a".

3 34 d. "Project" means an athletic, cultural, or entertainment
3 35 facility or complex in which the owners or operators make an
4 1 actual investment of at least five million dollars. "Project"
4 2 does not include any gaming establishment or facility and does
4 3 not include a retail mall or complex. However, this does not
4 4 preclude a retail specialty shop or business from being
4 5 included as part of a project.

4 6 e. "Retail establishment" means a business operated by a
4 7 retailer as defined in section 423.1.

4 8 2. An eligible city may by ordinance of the city council
4 9 establish a sales tax increment financing district for the
4 10 purpose of using the increased local sales and services tax
4 11 revenues received by it under this chapter which are
4 12 attributable to retail establishments in the district to repay
4 13 any loans, advances, indebtedness, or bonds used to assist in
4 14 the development, redevelopment, improvement, or rehabilitation
4 15 of a project located within such district. The increased
4 16 revenues to be used for the project shall be deposited into a
4 17 special fund to be established for the purpose of repaying the
4 18 loans, advances, indebtedness, or bonds.

4 19 3. a. To determine the revenue increase for purposes of
4 20 subsection 2, a base year revenue amount shall be calculated
4 21 by the department of revenue as follows:

4 22 (1) Determine the amount of local sales and services tax

4 23 revenue collected from retail establishments located in the
4 24 area comprising the district during the base year.

4 25 (2) Determine the dollar amount of the tax revenues
4 26 collected, as described in subparagraph (1), which is
4 27 distributed to the city during the base year. This is the
4 28 base year revenue amount.

4 29 b. A current year revenue amount is determined for each
4 30 fiscal year following the base year in the manner specified in
4 31 paragraph "a".

4 32 c. The excess of the amount determined in paragraph "b"
4 33 over the base year revenue amount determined in paragraph "a"
4 34 is the increase in the eligible city's revenues that are to be
4 35 deposited in the special fund established pursuant to
5 1 subsection 2. However, if any portion of these increased
5 2 revenues has been previously irrevocably pledged to pay bonds
5 3 issued pursuant to section 423B.9 for any purpose other than
5 4 the purpose of the district, such portion shall not be
5 5 deposited into the special fund.

5 6 4. An eligible city that has designated a sales tax
5 7 increment financing district as provided in subsection 2 may
5 8 apply to the department of economic development to receive a
5 9 portion of the amount of the state sales tax revenues
5 10 collected pursuant to chapter 423, subchapter II, during a
5 11 fiscal year from retail establishments located in such
5 12 district which is in excess of the amount of such revenues
5 13 collected by the state during the base year. The department
5 14 of economic development shall establish by rule criteria for
5 15 determining if it will enter into an agreement with an
5 16 eligible city. These criteria shall include but not be
5 17 limited to all of the following:

5 18 a. The project is not replacing an athletic, cultural, or
5 19 entertainment facility or complex located in another part of
5 20 the city.

5 21 b. The extent to which the project will bring out-of-state
5 22 residents to the city and the county.

5 23 c. The extent to which the project will have an adverse
5 24 effect on surrounding cities and counties.

5 25 d. The district is a well-defined compact area where the
5 26 majority of the commercial property contained in the district
5 27 is benefited by the project.

5 28 e. The total amount of investment to be made in the
5 29 project and the amounts to be provided by private investors,
5 30 the city, and the state.

5 31 f. The agreement shall be for a period not to exceed ten
5 32 fiscal years or for attainment of a specific dollar amount,
5 33 whichever occurs first.

5 34 5. The payment of any portion of the amount of state sales
5 35 tax revenues collected during a fiscal year under subsection 4
6 1 is contingent upon an appropriation by the general assembly
6 2 specifically for payment of such revenue increase, and any
6 3 agreement entered into between the department of economic
6 4 development and an eligible city shall contain a statement as
6 5 to this contingency.

6 6 6. All moneys received by an eligible city from state
6 7 sales tax revenue collections shall be deposited into the
6 8 special fund established pursuant to subsection 2.

6 9 7. For purposes of this section, the eligible city shall
6 10 assist the department of revenue in identifying retail
6 11 establishments in the district that are collecting the local
6 12 sales and services tax and state sales tax. This process
6 13 shall be ongoing until the district is dissolved.

6 14 Sec. 8. Section 423E.5, unnumbered paragraph 2, Code 2007,
6 15 is amended to read as follows:

6 16 A school district in which a local option sales tax for
6 17 school infrastructure purposes has been imposed shall be
6 18 authorized to enter into a chapter 28E agreement with one or
6 19 more cities or a county whose boundaries encompass all or a
6 20 part of the area of the school district. A city or cities
6 21 entering into a chapter 28E agreement shall be authorized to
6 22 expend its designated portion of the local option sales and
6 23 services tax revenues for any valid purpose permitted in this
6 24 chapter or authorized by the governing body of the city,
6 25 including the use of the revenues for purposes of a sales tax

6 26 increment financing district under section 423B.10. A county
6 27 entering into a chapter 28E agreement with a school district
6 28 in which a local option sales tax for school infrastructure
6 29 purposes has been imposed shall be authorized to expend its
6 30 designated portion of the local option sales and services tax
6 31 revenues to provide property tax relief within the boundaries
6 32 of the school district located in the county. A school
6 33 district where a local option sales and services tax is

6 34 imposed is also authorized to enter into a chapter 28E
6 35 agreement with another school district, a community college,
7 1 or an area education agency which is located partially or
7 2 entirely in or is contiguous to the county where the tax is
7 3 imposed. The school district or community college shall only
7 4 expend its designated portion of the local option sales and
7 5 services tax for infrastructure purposes. The area education
7 6 agency shall only expend its designated portion of the local
7 7 option school infrastructure sales tax for infrastructure and
7 8 maintenance purposes.

7 9 DIVISION IV

7 10 LOCAL HOTEL/MOTEL TAX

7 11 Sec. 9. Section 423A.4, unnumbered paragraph 1, Code 2007,
7 12 is amended to read as follows:

7 13 A city or county may impose by ordinance of the city
7 14 council or by resolution of the board of supervisors a hotel
7 15 and motel tax, at a rate not to exceed ~~seven~~ nine percent,
7 16 which shall be imposed in increments of one or more full
7 17 percentage points upon the sales price from the renting of
7 18 lodging. The tax when imposed by a city shall apply only
7 19 within the corporate boundaries of that city and when imposed
7 20 by a county shall apply only outside incorporated areas within
7 21 that county.

7 22 DIVISION V

7 23 STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

7 24 Sec. 10. Section 411.20, Code 2007, is amended to read as
7 25 follows:

7 26 411.20 STATE APPROPRIATION.

7 27 There is appropriated from the general fund of the state
7 28 for each fiscal year an amount ~~necessary equal to three and~~
7 29 seventy-nine hundredths percent of the covered earnable

7 30 compensation to be distributed to the statewide fire and
7 31 police retirement system, or to the cities participating in
7 32 the system, to finance the cost of benefits provided in this
7 33 chapter by amendments of the Acts of the Sixty-sixth General
7 34 Assembly, chapter 1089. The method of distribution shall be
7 35 determined by the board of trustees based on information

8 1 provided by the actuary of the statewide retirement system.
8 2 Moneys appropriated by the state shall not be used to
8 3 reduce the normal rate of contribution of any city below
8 4 seventeen percent.

8 5 Sec. 11. FIRE AND POLICE RETIREMENT FUND. There is
8 6 appropriated from the general fund of the state to the fire
8 7 and police retirement fund created pursuant to section 411.8
8 8 for the fiscal year beginning July 1, 2007, and ending June
8 9 30, 2008, the following amount, or so much thereof as is
8 10 necessary, to be used for the purpose designated:

8 11 For the state's share of the cost of the police officers'
8 12 and fire fighters' retirement benefits under section 411.20:

8 13 \$ 8,541,814

8 14 DIVISION VI

8 15 CITY FRANCHISE FEES

8 16 Sec. 12. Section 364.2, subsection 4, paragraph f, Code
8 17 2007, is amended to read as follows:

8 18 f. A franchise fee assessed by a city may be based upon a
8 19 percentage of gross revenues generated from sales of the
8 20 franchisee within the city not to exceed the sum of the state
8 21 sales tax rate and any local sales and services tax rates
8 22 imposed within the city, and the fees collected may be
8 23 credited to the city general fund and used for city general
8 24 fund purposes. If a city franchise fee is assessed to

8 25 customers of a franchise, the fee shall not be assessed to the
8 26 city as a customer.

8 27 Sec. 13. CERTAIN FRANCHISE FEES DECLARED LEGAL. To the
8 28 extent that any amount of franchise fees assessed by and paid
8 29 to a city prior to the effective date of this division of this
8 30 Act, pursuant to a franchise agreement between a city and any
8 31 person to erect, maintain, and operate plants and systems for
8 32 electric light and power, heating, telegraph, cable
8 33 television, district telegraph and alarm, motor bus, trolley
8 34 bus, street railway or other public transit, waterworks, or
8 35 gasworks, exceeds the city's reasonable costs of inspecting,
9 1 supervising, and otherwise regulating the franchise, such
9 2 amount is deemed and declared to be authorized and legally
9 3 assessed by and paid to the city.

9 4 Sec. 14. EFFECTIVE DATE. This division of this Act, being
9 5 deemed of immediate importance, takes effect upon enactment.

9 6 EXPLANATION

9 7 This bill affects the budgets and taxes of local
9 8 jurisdictions. The bill is organized into various divisions.
9 9 PROPERTY ASSESSMENT LIMITATION == This division specifies

9 10 that the percentage of actual value at which residential
9 11 property may be assessed shall not be reduced below 45.5596
9 12 percent beginning with assessments made January 1, 2007, for
9 13 taxes payable in FY 2008=2009.

9 14 The division applies retroactively to January 1, 2007, for
9 15 assessment years beginning on or after that date.

9 16 FRANCHISE TAX REVENUE ALLOCATIONS == This division reenacts
9 17 the annual appropriation of \$8.8 million of state franchise
9 18 tax revenues and its allocation to cities and counties. This
9 19 annual appropriation and allocation were repealed in 2003 Iowa
9 20 Acts, chapter 178, section 11. The annual appropriation and
9 21 allocation will commence with the fiscal year beginning July
9 22 1, 2007.

9 23 SALES TAX INCREMENT FINANCING DISTRICTS == This division
9 24 authorizes a city with a local option sales and services tax
9 25 to establish by ordinance a sales tax increment financing
9 26 district for the purpose of dedicating and using the increase
9 27 in the local sales and services tax revenues it receives from
9 28 retail establishments in the district to pay the loans,
9 29 advances, indebtedness, and bonds used to assist in the
9 30 development, redevelopment, improvement, or rehabilitation of
9 31 an athletic, cultural, or entertainment facility or complex
9 32 project located within such district. Dedicating such
9 33 increased revenues does not require an election. The owners
9 34 or operators of the project must make an actual investment of
9 35 at least \$5 million and the project cannot include a gaming
10 1 establishment or facility or a retail mall or complex.

10 2 The division also allows the city to enter into an
10 3 agreement with the department of economic development to
10 4 receive assistance for all or a portion of the increase in
10 5 state sales tax revenues collected by retail establishments in
10 6 the district. This state assistance is subject to
10 7 appropriation by the general assembly. The department would
10 8 establish criteria for entering into such an agreement, which
10 9 criteria would include the extent to which the project would
10 10 bring in nonresidents of the state and would affect
10 11 surrounding communities, the amount of private and public
10 12 investment being made, the compactness of the district, and
10 13 the requirement that the project is not replacing a similar
10 14 facility or complex in the city. The agreement would be for a
10 15 period of 10 years or for a specified amount of state
10 16 assistance, whichever occurs first.

10 17 The division provides that a city may use revenues that it
10 18 may receive from a local sales and services tax for school
10 19 infrastructure purposes for purposes of the city's sales tax
10 20 increment financing district.

10 21 The base year revenue amount for determining the increase
10 22 in tax revenues is the amount of tax revenues collected and
10 23 distributed to the city from retail establishments in the
10 24 district area during the fiscal year ending after the city has
10 25 established the district. However, any portion of that
10 26 increase which has previously been pledged for another purpose
10 27 is not considered part of the increase that may be used for
10 28 the purposes of the district.

10 29 LOCAL HOTEL/MOTEL TAX == This division increases the
10 30 maximum local hotel and motel tax rate from the present 7
10 31 percent to 9 percent. Present law requires an election to
10 32 increase the tax rate.

10 33 STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM == This
10 34 division amends Code section 411.20 to provide that the amount
10 35 of the state appropriation to the statewide fire and police
11 1 retirement system equals 3.79 percent of the covered earnable
11 2 compensation of the members. Present law has a standing
11 3 unlimited appropriation and does specify a dollar or
11 4 percentage amount.

11 5 The division also appropriates for FY 2007=2008 \$8,541,814
11 6 as the state's cost of police officers' and fire fighters'
11 7 benefits which is estimated to be 3.79 percent of the covered
11 8 earnable compensation of the members of the system.

11 9 CITY FRANCHISE FEES == This division provides that the
11 10 amount of a city franchise fee may be based upon a percentage
11 11 of gross revenues generated from sales of the franchisee
11 12 within the city not to exceed the sum of the rates of any
11 13 state and local sales and services taxes imposed within the
11 14 city, and the fees collected may be credited to the city
11 15 general fund and used for city general fund purposes.

11 16 The division declares that franchise fees assessed by and
11 17 paid to a city prior to the effective date of the division,
11 18 that may exceed the city's reasonable costs of inspecting,
11 19 supervising, and otherwise regulating the franchise are
11 20 authorized and legal.

11 21 The division takes effect upon enactment.
11 22 LSB 2434YH 82
11 23 mg:rj/gg/14